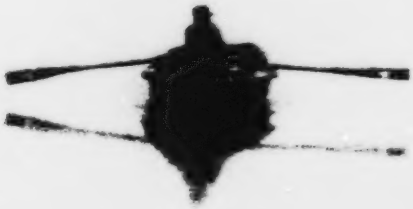
ANNUAL REPORT

1986



MR. JOHN H. PARKER
Commissioner of the Northwest Territories

THE HONOURABLE BRUCE McLAUGHLIN
Minister Responsible for the Workers' Compensation Board

I am pleased to submit the report of the Northwest Territories Workers' Compensation Board for 1986. This report covers the tenth year of the Accident Fund which was established in 1977 with less than one million dollars. Ten years later the Fund has almost a hundred million dollars in assets, having paid out in the meantime more than ninety million dollars in pensions and compensation. The assets of the Fund are mostly moneys held in trust against pension and claims liabilities. I am happy to tell you that these liabilities are fully funded and secured by sound investments.

On behalf of the Board,

Chairman and Chief Executive Officer

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MIKE MOORE — Chairman of the Board and Chief Executive Officer since March 14, 1986. Previously Deputy Minister of Local Government in the Territorial Government and Secretary to the Executive Council.

JO-ANNE ALLISON — Member of the Board since March 14, 1986. Until recently was Assistant Executive Secretary at the N.W.T. Public Service Association, and has now joined the private sector as a consultant.

TEDDY CARTER — Member of the Board since July 8, 1986. Manager of Kekertak Co-op in Gjoa Haven and formerly with the Canadian Arctic Co-ops in Yellowknife. Before that, he worked for CN Rail in Alberta.

ARNOLD HOPE — Member of the Board since November 26, 1982. Past member of the Fort Simpson Dene Band Council. Works for the N.W.T. Housing Corporation as the Programs Officer in Fort Simpson.

DALE JOHNSTON — Member of the Board since June 5, 1978. Involved with the Canadian Association of Smelter and Allied Workers (Local Union No. 4) since 1976; elected President in 1984. Works at Giant Yellowknife Mines.

MOSEESIE KOONOO — Member of the Board since March 14, 1986. Member of the Hamlet Council of Arctic Bay. Worked for the Government of the Northwest Territories at Hall Beach from 1976 to 1979. Now a hunter and trapper.

JOHN KOYCZAN — Member of the Board since March 14, 1986. Self-employed in drywalling. Previously worked for Shehtah Drilling in Norman Wells and on oil rigs in the Beaufort Sea for Esso Resources.

ROBERT MACLEOD — Member of the Board since March 14, 1986. Employed as a carpenter at Cominco's Pine Point Mines. Member of the Steelworkers Union and Chairman of the Pine Point Housing Authority.

STEVE McALPINE — Member of the Board since March 14, 1986. Production Superintendent at Giant Yellowknife Mines. Graduated from the Hailbury School of Mines. Previously worked in the mining industry in Ontario.

BRYAN ROBERTS — Appointed to the Board on March 12, 1981. Acting Chairman of the Board from June 1985 to January 1986. Has been with the Workers' Compensation Board since 1972 and is currently Executive Director.

JOHN TODD — Member of the Board since May 23, 1981. Businessman in Rankin Inlet. Previously worked at Giant Yellowknife Mines and with the Government of the Northwest Territories as a Development Officer.

MIKE ZUBKO — Member of the Board since November 26, 1982. Proprietor of Aklavik Flying Service in Inuvik. Founding Director of the Northern Air Transport Association. Has lived in the N.W.T. for 40 years.

NOTES:

1. Bryan Roberts, Executive Director, ceased to be a member of the Board on March 25, 1987.
2. Appointments of all other Board members expire on March 14, 1988. The Chairman's appointment expires March 14, 1989.

1986 was the Accident Fund's tenth year of operations. From an opening balance of $911,000 in 1977, the Fund has grown in ten years to its present very healthy, fully funded situation, with net assets totalling over $91 million. The history of the Accident Fund in table form can be found on the pages following this report.

The Fund goes into 1987 with liabilities for pensions of $51,743,000 and estimated liabilities for the costs of prior years claims of $27,467,000. These liabilities are fully funded and backed by sound investments. In addition, the Fund had a contingency reserve of $12,215,000 after supplementary pension increases had been provided for on January 1, 1987.

Very few compensation boards are in so healthy a position. The Northwest Territories Board is determined to keep its pension and claims liabilities fully funded on a basis which will ensure that the assets held are self-supporting and adequate to meet the benefits payable in spite of any future changes in investment earnings. For this reason, the Board changed the net discount rate for its pension and claims liabilities from 3 percent to 2.5 percent in 1986. This will ensure that the liabilities remain fully funded even if the rate of return on investments drops as low as 2.5 percent above inflation, and the excess interest earned will provide for escalation to maintain the purchasing power of the benefits promised.

Pensions awarded by the Board to permanently disabled workers and to dependants of workers killed in accidents are life-time pensions and they are not subject to income tax. The Board's pension liability has been calculated using appropriate mortality and other assumptions.

It is not so easy to estimate the future cost of claims arising out of accidents which happened in 1986 and in previous years. Using the history of claims experience for wage-loss compensation, medical aid and pension costs, the Board's consulting actuary carried out a complete valuation of the claims liability at the end of 1986. This valuation took account of the Board's decision to include in the claims liability provisions for the costs of industrial diseases, second injuries and enhanced disabilities, as well as for the rehabilitation and re-training of injured workers. These costs had previously been the responsibility of the contingency reserve.

The Board made other changes to its accounting policies in 1986. The operating reserve was eliminated and the balance transferred to the contingency reserve. The contingency reserve is used to provide a form of reinsurance protection against the possibility of a major disaster which could affect the entire Accident Fund. During 1986, the Board set a target level for the combined contingency reserve equal to the previous year's disbursements. At $12,215,000 the reserve was within 6.0 percent of the target level on January 1, 1987. CONTINUED

CONTINUED

Legislation enacted during 1986 changed the term "Year's Maximum Assessable Remuneration" (YMAR) to "Year's Maximum Insurable Remuneration" (YMIR) in order to emphasize that it is primarily used for determining the amounts of wage loss and pension benefits to injured workers. The maximum was raised from the 1986 level of $30,400 to $36,800 effective January 1, 1987. This was intended to ensure that at least 80 percent of workers in the Northwest Territories would have their earnings fully insured.

Amendments to the Workers' Compensation Act passed in the Fall Session of the Legislative Assembly changed the basis of compensation paid to injured workers from 75 percent of gross salary to 90 percent of net take-home pay from January 1987. Tables showing benefits calculated on this new basis are included elsewhere in this report. Benefits for the dependants of workers killed in accidents are not related to the worker's income, but they were increased as a result of the higher YMIR.

3,450 employers and 1,499 self-employed workers contributed $16,346,000 in assessments in 1986, of which an estimated $1,677,000 will be refunded as merit rebates. The net revenue was down in 1986 to $14,669,000 compared with $16,417,000 in 1985, but this reduction in assessment revenue was more than made up by an increase in revenue from investments: $12,015,000 in 1986 against $10,111,000 in 1985. Total revenue was virtually the same in both years.

The Board decided to discontinue the merit rebate scheme at the end of 1986. Rebates earned in 1986 will be paid in 1987, but no further payments will be made after that. The Board has considered replacing merit rebates with an experience rating system, but a decision on that will not be made until the systems operating in some of the provinces have been evaluated.

As a result of the reorganization of the reserves and liabilities, and after a rate study by the Board's consulting actuary, the Board reduced the assessment rates for 1987 by roughly 25 percent overall. Based on employers' payroll reports at the end of the year, the weighted average assessment rate for 1986 was $2.72 per $100 of assessable payroll. The preliminary estimates of assessable payrolls submitted to the Board by employers, and the assessment invoices so far issued by the Board for 1987, appear to show that the weighted average may have been reduced below $2.00 for 1987.

The Board accepted 3,186 claims for compensation in 1986, a decrease of 6.8 percent from the 1985 total. Approximately 30 percent of the claims involved some loss of time from work, 210 of them for longer than six weeks. There were 5 fatal accidents. The increase in the insurable maximum remuneration from $30,400 to $36,800 increased the maximum monthly wage-loss compensation for a married worker with a dependent spouse and one child to $2,250 effective January 1987. The monthly pension for widows went up to $1,012 (from $836) with an additional $230 for each child (up from $190).

CONTINUED

The number of pensions being paid by the Board increased during 1986 from 601 to 647. 171 pensions are for dependants of workers killed in accidents. Only 20 of these are being paid to dependants living in the Northwest Territories; the remainder go to dependants living elsewhere in Canada or overseas. 17 widows who have re-married are receiving benefits for dependent children.

The Board has made supplementary pension increases over the years since 1977 to ensure that the value of pensions would not be eroded by inflation. Increases are being made in January 1987 to bring the pensions of workers permanently disabled and the pensions for workers killed in accidents prior to that date up to the current YMIR level. These increases will add $6.5 million to the Board's pension liability.

The Board's rehabilitation services provided assistance to more than 230 injured workers in 1986. These services, which are an increasingly important part of the Board's work, are tailored to suit the particular needs of individual workers and include counselling, vocational assessment, educational upgrading and re-training.

The report of a committee appointed to review the Workers' Compensation Act and make recommendations to the Government was made public in the Legislative Assembly by the Honourable Bruce McLaughlin, Minister responsible for the Workers' Compensation Board. The committee's report included 133 recommendations for changes to the legislation and the way the scheme is administered. It is a wide-ranging report covering most aspects of workers' compensation in the Northwest Territories including benefits for workers and their dependants, the insurable maximum, composition of the Board, administration of the funds, investments, assessment levels, rehabilitation and re-training, appeals against decisions of the Board, and the rights of injured workers to be re-employed.

Although they did not do an in-depth study of the administration, the committee made some comparisons with other jurisdictions and decided that administration costs of the NWT Workers' Compensation Board are higher than can be justified. The committee recommended that an in-depth analysis of administrative procedures should be performed by an independent and competent consultant who would work with senior management and the Board in developing an efficient administration. The Board is making arrangements for a national firm of consultants to do a review of the administration and make a report to the Board before the end of 1987. The Board is pleased to note that the costs of administration were reduced in 1986 by about 8 percent over 1985.

There were no increases in staff during 1986 and turnover of personnel remained at a low level. The Board is fortunate to have a staff whose combined service adds up to many years of experience in the administration of workers' compensation. Their good sense and sound judgement are reflected in the very small number of appeals which came to the Board in 1986. The Board relies heavily on the staff, and their loyalty and hard work are very much appreciated●

	Thousands of Dollars	1986	1985	1984
REVENUES	Assessments	$ 16,346	$ 18,382	$ 18,667
	Less Merit rebates	1,677	1,965	1,640
		14,669	16,417	17,027
	Investments	12,015	10,111	8,054
		26,684	26,528	25,081
EXPENSES AND TRANSFERS	Pensions	5,494	4,749	3,723
	Claims	11,286	11,219	11,024
	Administration and general	3,934	4,223	3,924
		20,714	20,191	18,671
INCOME FROM OPERATIONS		5,970	6,337	6,410
CONTINGENCY RESERVE, BEGINNING OF YEAR[2]		22,963	20,180	17,084
		28,933	26,517	23,494
LESS: CONTINGENCY RESERVE EXPENSE		14,038	3,554	3,314
CONTINGENCY RESERVE, END OF YEAR[2]		$ 14,895	$ 22,963	$ 20,180
PENSION LIABILITY		$ 49,063	$ 33,749	$ 26,713
CLAIMS LIABILITY		$ 27,467	$ 21,005	$ 16,794

[1] Restated
[2] Restated to include operating reserve which was a separate reserve prior to January 1, 1986.
[3] Original administrative fund balance turned over to the Board January 1, 1977.

ACTIVE BUSINESSES:		1986	1985	1984
	Employers	3,450	3,436	3,269
	Self-employed	1,499	1,435	1,178
TOTAL ACTIVE BUSINESSES		4,949	4,871	4,447
ACCIDENTS REPORTED		3,186	3,419	3,355
YEAR'S MAXIMUM INSURABLE REMUNERATION (YMIR)		$ 30,400	$ 30,400[1]	$ 26,400
SUPPLEMENTARY PENSION INCREASES[2]		$4,682,000	$3,461,000	—

[1] Change to $30,400 YMIR was effective July 1, 1985.
[2] Pension increases granted to bring existing pensions to current level of benefits.
[3] To bring pre-1977 pensioners up to 1977 YMIR level of benefits.

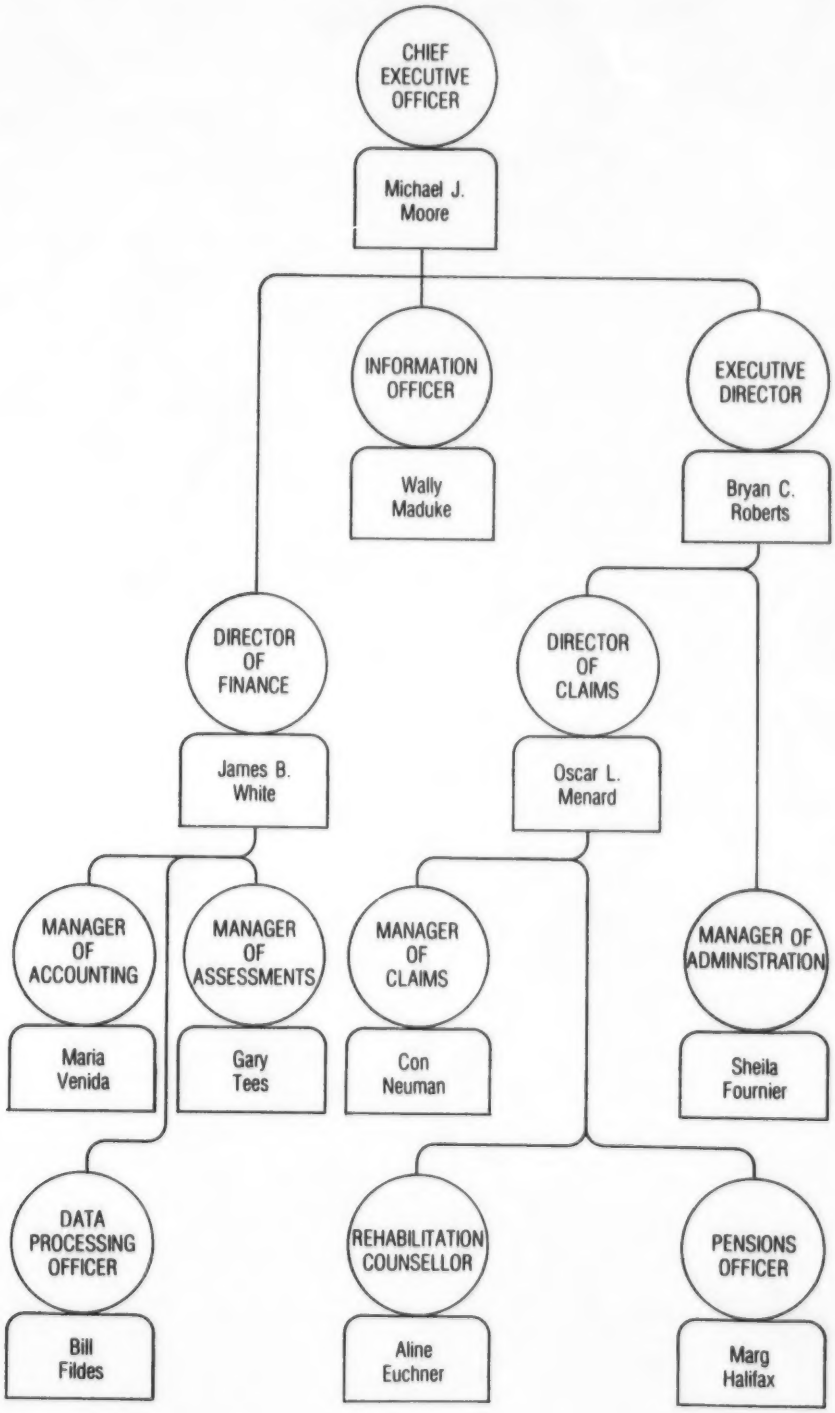
TEN YEAR FINANCIAL HISTORY

1977 - 1986

1983	1982	1981	1980	1979	1978	1977	TOTAL OPERATIONS
$ 16,817	$ 15,465	$ 12,095	$ 7,039	$ 6,235	$ 6,984	$ 7,016	$125,046
1,600	1,535	1,050	678	650	—	—	10,795
15,217	13,930	11,045	6,361	5,585	6,984	7,016	114,251
4,662	4,529	3,369	2,391[1]	1,576[1]	767[1]	297[1]	47,771
19,879	18,459	14,414	8,752	7,161	7,751	7,313	162,022
2,270	2,442	1,132	873	592	670	582	22,527
6,831	7,934	6,466	4,327	4,430	2,401	3,066	68,984
3,009	2,536	1,908	1,337	1,038	909	728	23,546
12,110	12,912	9,506	6,537	6,060	3,980	4,376	115,057
7,769	5,547	4,908	2,215	1,101	3,771	2,937	46,965
10,851	11,032	6,982	6,677	7,329	3,848	911[3]	911[3]
18,620	16,579	11,890	8,892	8,430	7,619	3,848	47,876
1,536	5,728	858	1,910	1,753	290	—	32,981
$ 17,084	$ 10,851	$ 11,032	$ 6,982	$ 6,677	$ 7,329	$ 3,848	$ 14,895
$ 20,046	$ 16,056	$ 8,504	$ 6,655	$ 4,079	$ 1,678	$ 489	
$ 12,894	$ 11,855	$ 8,834	$ 6,139	$ 4,773	$ 2,883	$ 2,190	

TEN YEAR HISTORICAL DATA

1983	1982	1981	1980	1979	1978	1977	TOTAL
3,395	3,006	2,673	2,087	2,058	2,042	2,051	
1,108	778	789	1,423	976	1,036	1,041	
4,503	3,784	3,462	3,510	3,034	3,078	3,092	
2,807	3,142	3,109	2,626	2,394	2,317	2,265	
$ 23,200	$ 23,200	$ 20,400	$ 16,800	$ 16,800	$ 14,500	$ 14,500	
$2,179,000	$4,313,000	—	$1,357,000	$1,350,000	—	$876,000[3]	$18,218,000


CHIEF EXECUTIVE OFFICER
Michael J. Moore
INFORMATION OFFICER
Wally Maduke
EXECUTIVE DIRECTOR
Bryan C. Roberts
DIRECTOR OF FINANCE
James B. White
DIRECTOR OF CLAIMS
Oscar L. Menard
MANAGER OF ACCOUNTING
Maria Venida
MANAGER OF ASSESSMENTS
Gary Tees
MANAGER OF CLAIMS
Con Neuman
MANAGER OF ADMINISTRATION
Sheila Fournier
DATA PROCESSING OFFICER
Bill Fildes
REHABILITATION COUNSELLOR
Aline Euchner
PENSIONS OFFICER
Marg Halifax

FINANCIAL STATEMENTS

December 31 1986

MANAGEMENT REPORT

The financial statements in this annual report were prepared by management in accordance with accounting policies appropriate in the circumstances. Management is also responsible for all other information in the report and for ensuring that it is consistent, where appropriate, with the financial statements.

The Board maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used efficiently to further the Board's aims, and are protected from loss or unauthorized use and that the Board acts in accordance with the laws of Canada and the Northwest Territories.

The Board, through its Audit Committee, is responsible for reviewing and monitoring the Board's management accounting and reporting practices. The Audit Committee meets with management and external auditors to satisfy itself that these responsibilities are properly discharged.

The consulting actuary, Crawford E. Laing, is requested by the Board, pursuant to the Workers' Compensation Act, annually to carry out an evaluation of the Board's liabilities and assessment rates. The Actuary provides advice to the Board as to the adequacy of the provisions for various costs, including pensions and assessment rates.

The Auditor General of Canada annually provides an independent, objective, review of management's discharge of its responsibility to report fairly the operating results and financial position of the Board in accordance with accounting policies deemed appropriate for the operations of the Board. His examination includes a review and evaluation of the Board's system of internal control and appropriate tests and procedures to provide reasonable assurance, in all material respects, that the financial statements are presented fairly. The Auditor General has full and free access to the Audit Committee and meets with it on a regular basis to discuss the results of his examination and the adequacy of financial and management controls.

Michael J. Moore
Chief Executive Officer

James B. White
Director of Finance

AUDITOR'S REPORT

The Commissioner
Government of the Northwest Territories

I have examined the balance sheet of the Workers' Compensation Board (Northwest Territories) as at December 31, 1986 and the statements of operations, contingency reserve and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1986 and the results of its operations and changes in its financial position for the year then ended in accordance with the accounting policies set out in note 2 to the financial statements applied, after giving retroactive effect to the change in the basis of accounting for the claims liability and reserves as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Raymond Dubois, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 2, 1987

BALANCE SHEET
as at December 31, 1986

	1986	1985
	(thousands of dollars)	
ASSETS		
Cash and short-term investments	$ 13,903	$ 12,540
Assessments receivable	2,000	2,218
Accrued interest receivable	2,020	1,607
Long-term investments (note 5)	77,040	65,242
Property and equipment (note 6)	487	439
	$ 95,450	$ 82,046
LIABILITIES AND RESERVE		
Accounts payable (note 7)	$ 787	$ 999
Assessments refundable	1,430	1,365
Merit rebates payable	1,808	1,965
Pension liability (notes 8 and 11)	49,063	33,749
Claims liability (notes 9 and 11)	27,467	21,005
	80,555	59,083
Contingency reserve	14,895	22,963
	$ 95,450	$ 82,046

Approved:

Director of Finance

Approved by the Workers' Compensation Board:

Chairman and Chief Executive Officer

Member

STATEMENT OF OPERATIONS

for the year ended December 31, 1986

	1986	1985
	(thousands of dollars)	
REVENUES		
Assessments	$ 16,346	$ 18,382
Less: Merit rebates (note 12)	1,677	1,965
	14,669	16,417
Investments	12,015	10,111
	26,684	26,528
EXPENSES AND TRANSFERS		
Pensions (note 8)	5,494	4,749
Claims (note 13)	11,286	11,219
Administration and general	3,934	4,223
	20,714	20,191
Income from operations transferred to contingency reserve	$ 5,970	$ 6,337

STATEMENT OF CONTINGENCY RESERVE

for the year ended December 31, 1986

	1986	1985
	(thousands of dollars)	
Balance at beginning of the year		
as previously reported	$ 15,667	$ 14,440
transfer from operating reserve (note 3)	7,296	5,740
as restated	22,963	20,180
Less: Transfers to		
Pension liability (notes 4 and 8)	9,379	1,776
Claims liability (notes 4 and 9)	4,659	1,778
	14,038	3,554
	8,925	16,626
Income from operations	5,970	6,337
Balance at end of the year (notes 10 and 11)	$ 14,895	$ 22,963

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1986

	1986	1985
	(thousands of dollars)	
Operating activities		
Income from operations	$ 5,970	$ 6,337
Items not requiring outlay of funds		
Amortization of bond premiums and discounts	209	20
Depreciation	142	131
Provisions and investment income allocations		
Pension liability (note 8)	5,494	4,749
Claims liability (note 9)	8,921	8,761
	20,736	19,998
Payments from		
Pension liability (note 8)	3,333	3,060
Claims liability (note 9)	3,344	2,757
	6,677	5,817
Increase (decrease) in assessments and accrued interest receivable	195	(235)
(Increase) decrease in accounts payable, assessments refundable and merit rebates payable	304	(587)
Property and equipment purchases	190	199
	7,366	5,194
Funds provided from operating activities	13,370	14,804
Investing activities		
Funds utilized for long-term investments	12,007	16,049
Increase (decrease) in cash and short-term investments	1,363	(1,245)
Cash and short-term investments		
at the beginning of the year	12,540	13,785
at end of the year	$ 13,903	$ 12,540

1. AUTHORITY AND OPERATIONS

The Workers' Compensation Board was established under, and is responsible for the administration of, the Workers' Compensation Act, 1977, c.7.

The Board provides compensation for injury or death by accident arising out of and in the course of employment. Assessments are levied upon employers on the basis of a percentage of their assessable payroll to meet the costs of compensation, pension awards and administration.

2. ACCOUNTING POLICIES

The more significant accounting policies of the Board are as follows:

(a) Investments

Investments are recorded at cost at the time of purchase. Discounts or premiums are amortized on a straight-line basis over the periods remaining to the maturity dates of the investments.

(b) Property and equipment

Property and equipment are recorded at cost and depreciated or amortized over their estimated useful life under the straight-line method as follows:

Furnishings	10 years
Equipment	5 years
Leasehold improvements	Over the term of the lease

(c) Pension liability

The pension liability represents amounts provided to meet the present value of future payments in respect of pension awards. Amounts of pensions awarded for the current year's claims are provided annually from operations, to the extent of retention limits, and those awarded for prior years' claims are provided from the claims liability.

(d) Claims liability

The claims liability represents the present value of amounts, including a provision from operations for current year's claims, required to be paid in the future for all past accident claims still in process. Amounts in excess of retention limits are provided from the contingency reserve. All compensation payments and the capitalized value of pension awards granted after the year of injury are charged to this liability.

(e) Contingency reserve

The contingency reserve is maintained to prevent instability of rates for industry classifications that could result from excessive costs of any disaster or extraordinary circumstance.

Any amounts which significantly exceed or fall short of a target level set by the Board will be amortized to industry classes through the assessment rates over a period determined by the Board.

(f) Administration and general expenses

These expenses, net of assessment penalties and sundry revenue, are allocated proportionately to industry classes on the basis of assessable payroll and assessment revenue applicable to each industry class for the year.

3. CHANGE IN ACCOUNTING POLICY

During the year, the Board adopted the following accounting policy changes:

— The claims liability (formerly named the future claims liability) was expanded to include responsibility for all future costs of prior years' claims, such as industrial disease, enhanced disability, rehabilitation and retraining of injured workers, and amounts in excess of retentions. These liabilities had previously been charged to the contingency reserve. The additional liability of $6,570,000 was funded through an existing excess of $5,744,000 in the claims liability and a transfer of $826,000 from the contingency reserve.

— The operating reserve was eliminated and the balance of $7,296,000 (1985 - $5,740,000) was transferred to the contingency reserve.

These changes were made for purposes of:

— combining the estimated future costs of all past accidents into the claims liability, and

— combining the provisions for future costs, which cannot be anticipated, into the contingency reserve.

4. CHANGE IN LIABILITY VALUATION POLICY

The Board changed the net discount rates used in the present value determination of the pension and claims liabilities from 3 per cent for post 1976 claims and 6 per cent for pre 1977 claims to a common 2.5 per cent as at December 31, 1986, in order to strengthen the valuation basis for the liabilities, in accordance with the full funding policy of the Board. This change resulted in increases of $7,100,000 in the pension liability and $2,367,000 in the claims liability which are included in the respective transfers from the contingency reserve.

5. LONG TERM INVESTMENTS

	1986		1985
	Par Value	Amortized Cost	Amortized Cost
	(thousands of dollars)		
Government of Canada bonds	$ 45,961	$ 48,387	$ 51,065
Provincial bonds	24,400	24,699	9,214
Corporate bonds	4,000	3,954	4,963
	$ 74,361	$ 77,040	$ 65,242

The approximate market value of long-term investments as at December 31, 1986 was $79,375,000 (1985 - $68,117,000).

6. PROPERTY AND EQUIPMENT

	1986	1985
	(thousands of dollars)	
Furnishings	$ 126	$ 108
Equipment	660	491
Leasehold improvements	98	97
	884	696
Less: Accumulated depreciation and amortization	397	257
	$ 487	$ 439

7. ACCOUNTS PAYABLE

	1986	1985
	(thousands of dollars)	
Payroll costs due to Government of the Northwest Territories	$ 336	$ 575
Employee leave and termination benefits liability	244	219
Other payables	207	205
	$ 787	$ 999

8. PENSION LIABILITY

	1986	1985
	(thousands of dollars)	
Transfers from		
Operations — provision	$ 72	$ 388
— investment revenue	5,422	4,361
	5,494	4,749
Claims liability (note 9)	3,774	3,571
Contingency reserve (note 4)	9,379	1,776
	18,647	10,096
Less: Pension payments	3,333	3,060
Increase for the year	15,314	7,036
Balance at beginning of the year	33,749	26,713
Balance at end of the year	$ 49,063	$ 33,749

Supplementary pension increases effective January 1, 1987 have been granted in respect of all active pensions as of December 31, 1986. These increases will result in an additional liability of $6,564,000 which will be funded in 1987 through the actuarial surplus of $3,884,000 in the pension liability and a transfer of $2,680,000 from the contingency reserve (see note 11).

9. CLAIMS LIABILITY

	1986	1985
	(thousands of dollars)	
Transfers from		
Operations — provision (note 13)	$ 6,167	$ 6,540
— investement revenue (note 13)	2,754	2,221
	8,921	8,761
Contingency reserve (notes 3 and 4)	4,659	1,778
	13,580	10,539
Less: Claims Payments	3,344	2,757
Transfer to pension liability (note 8)	3,774	3,571
	7,118	6,328
Increase for the year	6,462	4,211
Balance at beginning of the year	21,005	16,794
Balance at end of the year	$ 27,467	$ 21,005

10. CONTINGENCY RESERVE

The year end balance in the contingency reserve of $14,895,000 (1985 - $22,963,000) includes $2,680,000 (1985 - $1,300,000) which will be transferred to the pension liability on January 1 of the following year to assist in funding supplementary pension increases.

11. ACTUARIAL EVALUATION

An evaluation by the actuary indicated that at December 31, 1986:

— the pension liability of $49,063,000 (1985 - $33,749,000) is $3,884,000 (1985 - $3,373,000) in excess of the actuarial liability and the excess is being retained to help provide for future supplementary pension increases;

— the claims liability of $27,467,000 is sufficient to meet the actuarial requirement in full; and

— the contingency reserve of $14,895,000 less the 1987 transfer of $2,680,000 to the pension liability is adequate and appropriate to meet the costs of potential disasters or other extraordinary circumstances.

12. MERIT REBATES

Under the merit rebate plan, rebates have been provided annually from current assessment revenue and allowed to employers with favourable claims experience over the three years ending in the current fiscal year.

Actual 1985 merit rebates of $1,889,000 were paid to qualified employers in 1986, which was $76,000 less than the provision for those rebates. The over provision was credited to the industry classes during 1986.

The merit rebate program is being discontinued after 1986, but rebates in respect of 1986 will be paid in 1987 to qualified employers.

13. CLAIMS EXPENSE

	1986	1985
	(thousands of dollars)	
Payments on current year's claims		
Compensation	$ 1,531	$ 1,563
Medical aid	834	895
	2,365	2,458
Provision to claims liability for future payments on current year's claims (note 9)	6,167	6,540
Total current year's claims expense	8,532	8,998
Investment revenue allocation to claims liability (note 9)	2,754	2,221
	$ 11,286	$ 11,219

14. CONTINGENT LEGAL CLAIMS RECEIVABLE

The Board has a number of legal claims outstanding for recovery of compensation expenses from third parties. These claims are not recorded in the accounts because of their contingent nature. In the opinion of management and the Board's legal representatives, it is expected that the Board will recover approximately $850,000 which will be credited to the claims liability as recovered.

15. COMMITMENT

The Board is committed to payments aggregating $288,000 under an office space lease agreement which expires December 31, 1987.

16. RELATED PARTY TRANSACTIONS

Under an agreement with the Board, the Government of the Northwest Territories pays and is reimbursed for payroll costs of the Board together with administration fees aggregating $44,000 (1985 - $46,000). Payroll costs not reimbursed at year end of $336,000 (1985 - $575,000) are included in accounts payable. In addition, the Government paid workers' compensation assessments to the Board in the amount of $724,000 (1985 - $642,000) less merit rebates of $26,000 paid in 1986 (1985 - $39,000). 1986 merit rebates will be calculated and paid in 1987.

17. COMPARATIVE FIGURES

Certain of the 1985 figures have been reclassified to conform to the presentation adopted in 1986.

We have reviewed the liabilities of the Accident Fund as at December 31, 1986, and are satisfied from general tests of the data, that it fairly represents the position at the valuation date, and is adequate and reliable for the purpose of the valuation. In our opinion, the actuarial assumptions and methods adopted are appropriate, and in accordance with sound actuarial principles and practice.

On this basis, the Pension Liability in respect of awards for Post-1976 accidents, and Supplementary Pension Increases in respect of all pensions granted up to December 31, 1986, was $45,179,000. As the Book Value of the Pension Fund was $49,063,000, there was a surplus at the valuation date of $3,884,000. We recommend that this should be retained in the Pension Fund to provide for the Supplementary Pension Increases which have been granted with effect from January 1, 1987, and which will cost $6,564,000 based on the Pensioner data at December 31, 1986. We recommend that an amount of $2,680,000 be transferred from the Contingency Reserve to the Pension Fund, with effect from January 1, 1987, to provide for the balance of the cost of these increases.

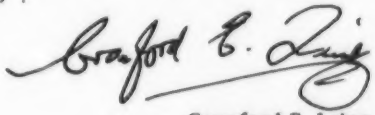
WE CONSIDER that the Claims Liability of $27,467,000 (including the provision for 1986 accidents of $6,167,000) is sufficient to meet both the future cost of reported claims, and the cost of possible unreported claims which will be charged to the Claims Liability, including specific liabilities in respect of past accidents, which were previously the responsibility of the Contingency Reserve, but which have been transferred to the Claims Liability as the result of a change in Board Policy.

WE ALSO CONSIDER that the balance in the Contingency Reserve of $12,215,000, after the said transfer of $2,680,000 to the Pension Fund, is an adequate and appropriate provision against future costs which cannot be anticipated in respect of:

(i) Disasters, catastrophes, and other large claims which arise in excess of the limits set for retention and stop-loss purposes; and
(ii) Stabilization of Assessments Rates, which might otherwise vary due to fluctuations in claims experience, and could unduly burden the Employers in any Industry Class.

At this level, the Contingency Reserve is within 6.0% of the target set by the Board for "retained earnings".

Respectfully submitted
for CRAWFORD E. LAING LTD.



Crawford E. Laing,

Fellow of the Canadian Institute of Actuaries
Fellow of the Faculty of Actuaries in Scotland
Fellow of the Conference of Actuaries in Public Practice
Associate of the Institute of Actuaries
Associate of the Society of Actuaries

President and Actuary

June 2, 1987

SCHEDULE OF ADMINISTRATION AND GENERAL EXPENSES

for the year ended December 31, 1986

	1986	1985
	(thousands of dollars)	
Salaries, wages and allowances	$ 1,853	$ 1,866
Employer share of benefits	160	162
Professional services	312	237
Office lease and renovations	302	318
Investment portfolio management	208	166
Office furnishings and equipment	180	124
Travel	174	180
Board members	164	140
Communications	133	109
Medical services	109	113
Office services and supplies	104	120
Computing services	93	660
Safety program	79	51
Review committee on legislation	53	—
Administrative services - Government of the N.W.T.	44	46
Advertising and public information	37	31
Miscellaneous	31	26
	4,036	4,349
Less:		
Assessment penalties	86	104
Sundry revenue	16	22
	102	126
	$ 3,934	$ 4,223

SCHEDULE OF LONG-TERM INVESTMENTS

at December 31, 1986

	SECURITY		MATURITY YR/MO/DAY	PAR VALUE	MARKET VALUE/COST	AMORTIZED COST
	Government of Canada	12.25	87/05/01	$ 900,000	$ 910,350	$ 905,431
	Government of Canada	11.50	93/12/15	4,000,000	4,515,000	4,322,904
	Government of Canada	12.75	94/10/01	1,000,000	1,197,500	1,127,069
	Government of Canada	12.50	94/12/15	8,240,000	9,805,600	8,894,413
	Government of Canada	8.75	96/06/01	1,500,000	1,500,000	1,504,346
	Government of Canada	11.25	02/12/15	610,000	707,600	683,955
	Government of Canada	11.75	03/02/01	2,280,000	2,741,700	2,734,138
	Government of Canada	12.00	05/03/01	2,155,000	2,621,019	2,598,364
	Government of Canada	11.00	09/06/01	845,000	971,750	957,426
	Government of Canada	9.50	10/06/01	3,000,000	3,120,000	3,063,977
	Government of Canada	9.00	11/03/01	3,400,000	3,429,750	3,383,288
	Government of Canada	9.00	11/03/01	18,031,000	18,188,771	18,210,524
TOTAL GOVERNMENT OF CANADA				45,961,000	49,709,040	48,385,835
	Province of Ontario	11.50	90/02/01	5,500,000	5,830,000	5,664,262
	Province of British Columbia	12.00	93/10/20	2,500,000	2,787,500	2,492,312
	Province of Ontario	10.75	95/11/19	1,000,000	1,085,000	1,044,538
	Province of Ontario	10.00	96/01/14	5,700,000	5,963,625	5,902,272
	Province of Saskatchewan	9.75	96/04/16	250,000	256,875	255,983
	Province of Ontario	9.00	96/04/22	9,450,000	9,367,313	9,340,226
TOTAL PROVINCIAL				24,400,000	25,290,313	24,699,593
	City of Edmonton	12.25	93/03/15	2,000,000	2,227,500	1,972,717
	Nova, An Alberta Corp.	12.125	93/07/15	1,500,000	1,590,000	1,483,854
	CIL Inc.	12.375	93/12/15	500,000	558,125	497,812
TOTAL CORPORATE				4,000,000	4,375,625	3,954,383
TOTAL LONG-TERM				$74,361,000	$79,374,978	$77,039,811

SCHEDULE OF ADMINISTRATION AND GENERAL EXPENSES

for the year ended December 31, 1986

	1986	1985
	(thousands of dollars)	
Salaries, wages and allowances	$ 1,853	$ 1,866
Employer share of benefits	160	162
Professional services	312	237
Office lease and renovations	302	318
Investment portfolio management	208	166
Office furnishings and equipment	180	124
Travel	174	180
Board members	164	140
Communications	133	109
Medical services	109	113
Office services and supplies	104	120
Computing services	93	660
Safety program	79	51
Review committee on legislation	53	—
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	4,036	4,349
Less:		
Assessment penalties	86	104
Sundry revenue	16	22
	102	126
	$ 3,934	$ 4,223

SCHEDULE OF LONG-TERM INVESTMENTS

at December 31, 1986

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	Government of Canada	12.25	87/05/01	$ 900,000	$ 910,350	$ 905,431
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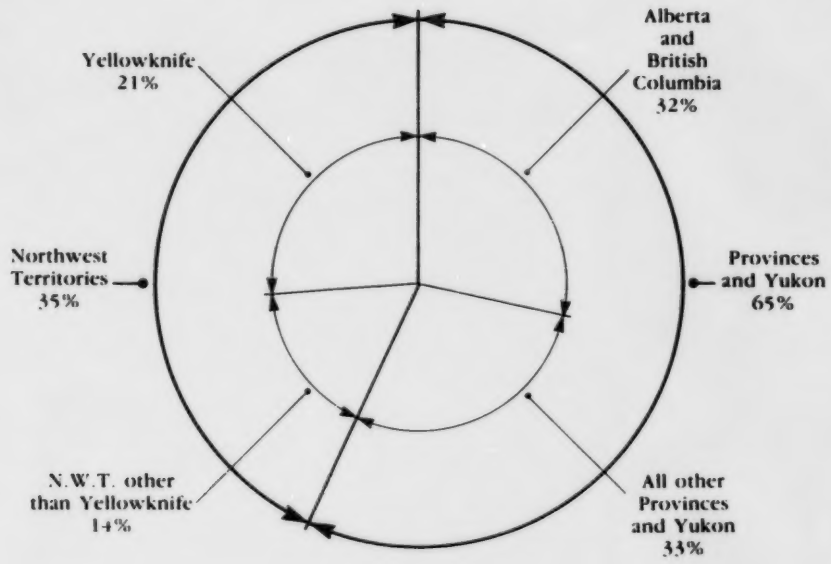
TOTAL PROVINCIAL				24,400,000	25,290,313	24,699,593
	City of Edmonton	12.25	93/03/15	2,000,000	2,227,500	1,972,717
	Nova, An Alberta Corp.	12.125	93/07/15	1,500,000	1,590,000	1,483,854
	CIL Inc.	12.375	93/12/15	500,000	558,125	497,812
TOTAL CORPORATE				4,000,000	4,375,625	3,954,383
TOTAL LONG-TERM				$74,361,000	$79,374,978	$77,039,811

SCHEDULE OF SHORT-TERM INVESTMENTS

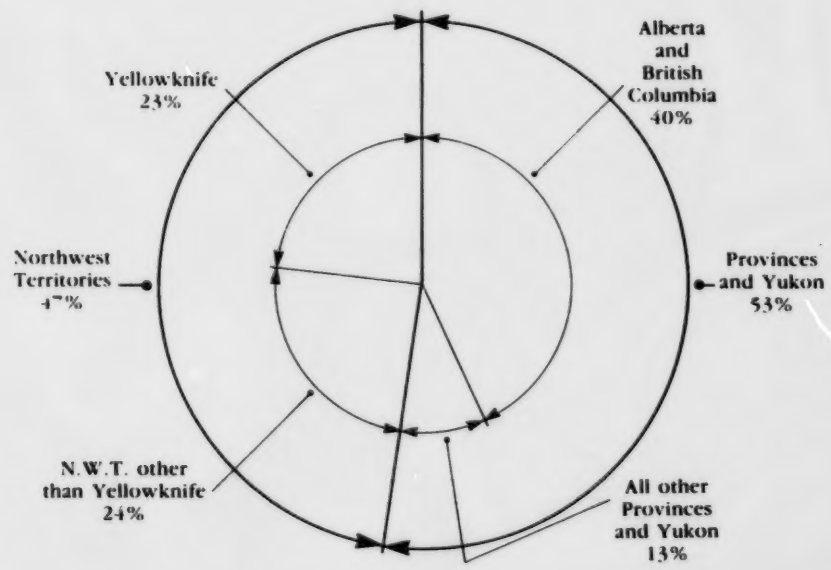
at December 31, 1986

	SECURITY		MATURITY YR/MO/DAY	MARKET VALUE/COST
	Treasury Bill	8.25	87/01/07	$ 685,895
	Treasury Bill	8.30	87/01/09	499,640
	Treasury Bill	8.05	87/01/16	994,520
	Treasury Bill	8.00	87/01/16	12,952
	Treasury Bill	8.18	87/01/23	161,481
	Treasury Bill	8.00	87/01/30	246,968
	Treasury Bill	8.20	87/01/30	2,141,331
	Treasury Bill	8.20	87/02/06	3,248,916
	Treasury Bill	8.16	87/02/13	1,132,279
	Treasury Bill	8.13	87/02/20	271,194
TOTAL TREASURY BILLS				9,395,176
	Banker's Acceptance	8.24	87/01/05	1,483,920
	Banker's Acceptance	8.20	87/01/15	195,734
	Banker's Acceptance	8.25	87/01/20	391,420
	Banker's Acceptance	7.85	87/01/22	295,926
	Banker's Acceptance	8.15	87/02/03	495,465
TOTAL BANKER'S ACCEPTANCES				2,862,465
	Commercial Paper	8.35	87/01/13	790,000
	Commercial Paper	8.30	87/01/15	496,725
TOTAL COMMERCIAL PAPER				1,286,725
TOTAL SHORT-TERM INVESTMENTS				13,544,366
CASH				358,602
TOTAL CASH AND SHORT-TERM INVESTMENTS				$13,902,968

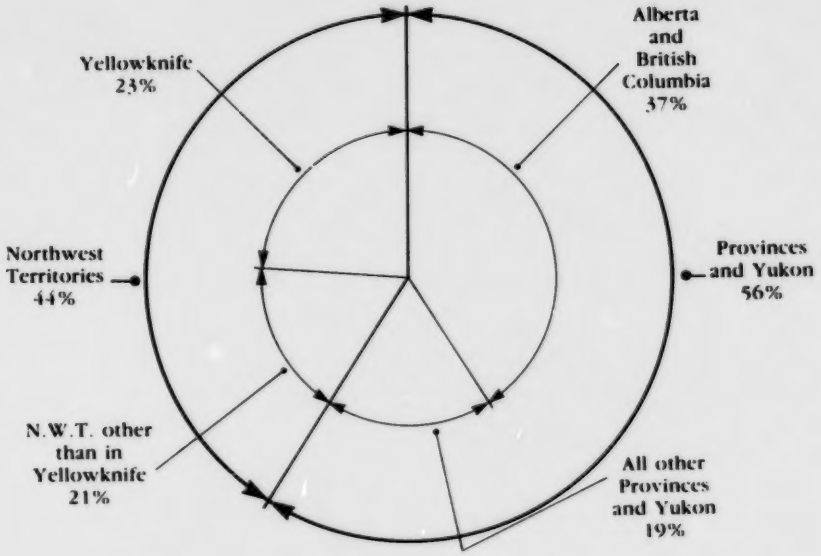
WHERE THE EMPLOYERS WERE LOCATED



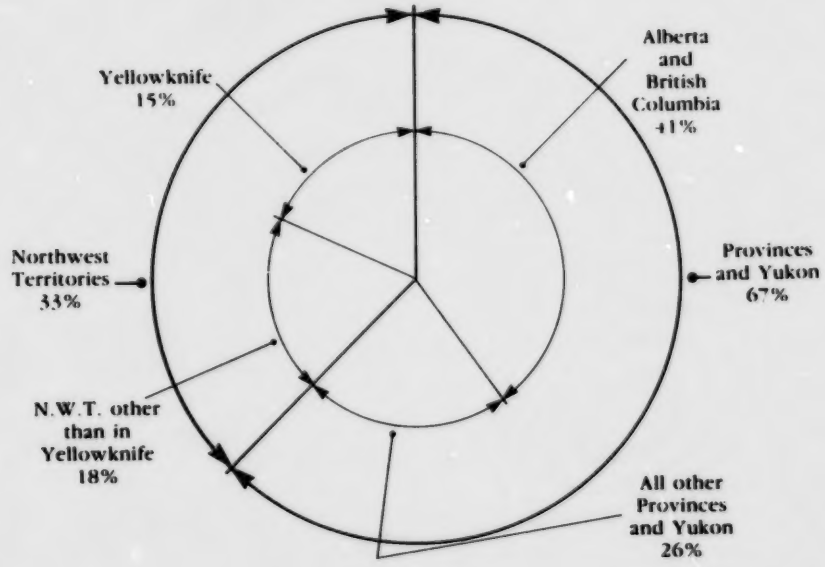
WHERE THE ASSESSMENT REVENUE CAME FROM



WHERE THE WORKERS RECEIVING COMPENSATION WERE LIVING



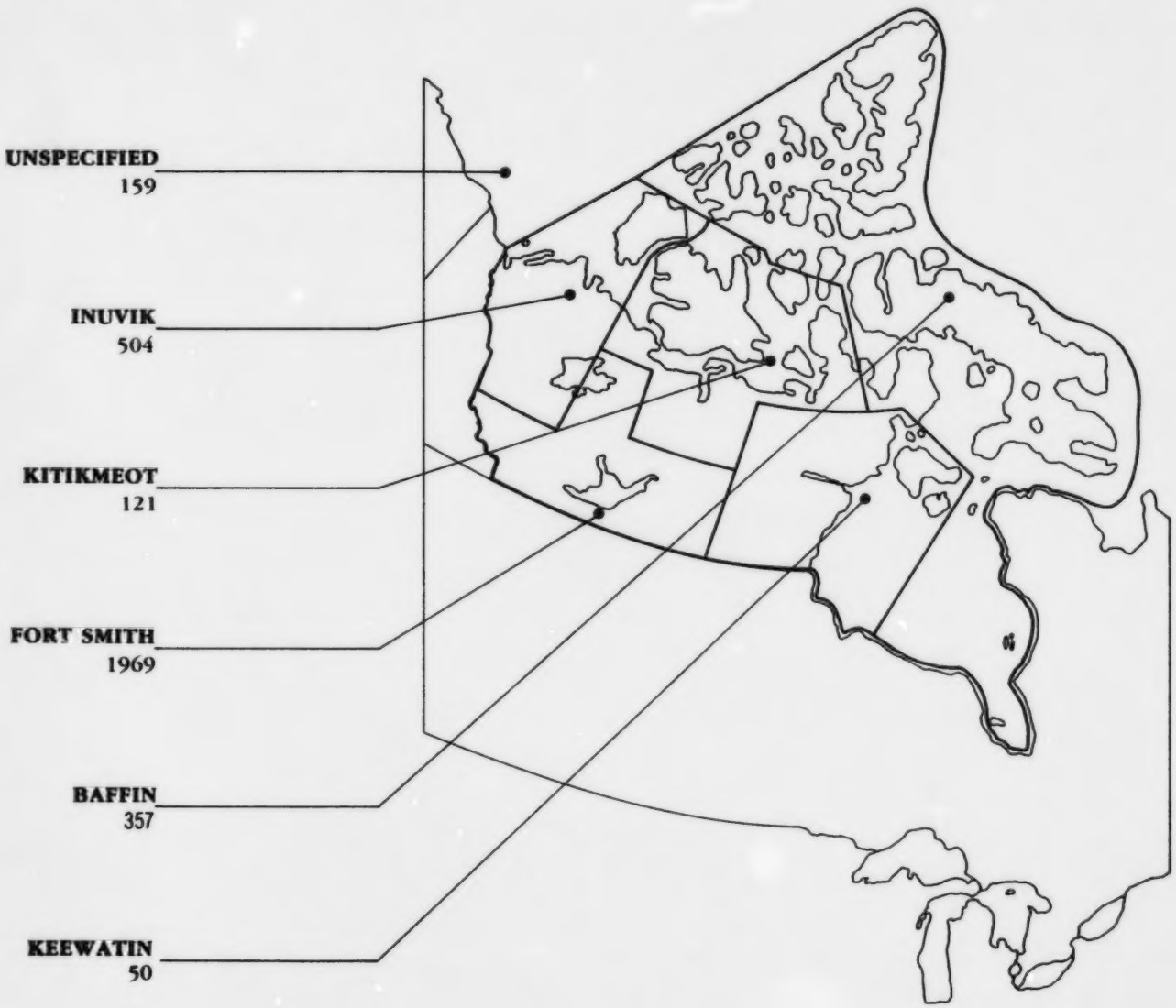
WHERE THE WORKERS AND DEPENDANTS RECEIVING PENSIONS WERE LIVING



Part of Body	Number of Claims
Head	43
Ears	55
Face	79
Mouth	52
Nose	11
Eye	325
Neck	44
Shoulder	103
Upper Arm	26
Elbow	58
Forearm	62
Wrist	96
Hand	218
Thumb/Fingers	517
Back	528
Abdomen	41
Chest	48
Upper Leg	26
Hip	15
Knee	178
Lower Leg	46
Ankle	122
Foot	135
Toes	38
Body Systems	54
Multiple	195
Non-Personal	45
Other	26

Type of Injury	Number of Claims
Amputation	17
Laceration	0
Puncture	590
Sprain	936
Dislocation	20
Hernia	11
Strain	0
Crush	616
Fracture	153
Confusion	10
Foreign Body	0
Abrasion	291
Burn (heat)	74
Burn (chemical)	25
Temperature Effects	13
Welding Flash	0
Industrial Disease	66
Dermatitis	79
Synovitis/Tenosyn	0
Fume Inhalation	0
Non-Personal	45
Multiple	99
Other	141

NUMBER OF ACCIDENTS BY REGION
1986



1977-1985 ACCIDENTS REPORTED

1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
2,265	2,317	2,394	2,626	3,109	3,142	2,807	3,355	3,419	3,186

Examples of Monthly Compensation Payments Effective January 1, 1987

Based on 90% of net earnings after deductions for Income Tax, Canada Pension Plan and Unemployment Insurance contributions

TABLE 1 — Workers who qualify as Northern residents for income tax purposes	Permanent or Temporary Total Disability Gross Salary			60% Permanent Disability Gross Salary			30% Permanent Disability Gross Salary		
	36,800	30,000	25,000	36,800	30,000	25,000	36,800	30,000	25,000
Single worker, no dependants	2139.35	1804.30	1543.69	1283.58	1082.55	926.21	641.80	541.29	463.10
Married worker, dependent spouse, no children	2236.23	1882.12	1621.19	1341.67	1131.67	972.71	670.87	565.83	486.36
Married worker, dependent spouse, one dependent child	2250.33	1898.38	1623.84	1350.16	1139.03	979.70	675.10	569.51	489.85
Married worker, dependent spouse, two dependent children	2264.43	1910.65	1644.49	1358.42	1146.39	986.69	679.33	573.19	493.35

TABLE 2 — Workers who do not qualify as Northern residents for income tax purposes	Permanent or Temporary Total Disability Gross Salary			60% Permanent Disability Gross Salary			30% Permanent Disability Gross Salary		
	36,800	30,000	25,000	36,800	30,000	25,000	36,800	30,000	25,000
Single worker, no dependants	1991.52	1667.67	1423.08	1194.91	1000.60	853.85	597.45	500.30	426.92
Married worker, dependent spouse, no children	2092.81	1761.49	1506.46	1255.68	1056.89	903.87	627.84	528.44	451.93
Married worker, dependent spouse, one dependent child	2108.14	1775.59	1518.73	1264.88	1065.35	911.24	632.44	532.67	455.62
Married worker, dependent spouse, two dependent children	2123.47	1789.69	1530.99	1274.08	1073.81	918.59	637.04	536.90	459.29

Dependants' Benefits (Fatal Accidents)

Widow or widower's benefits	per year $12,144 per month $ 1,012
Pension for each child	per year $ 2,760 per month $ 230
Maximum pension for other dependants (where no spouse or children)	per year $12,144 per month $ 1,012
Immediate allowance (lump sum)	$ 1,472
Additional contribution (lump sum)	$ 1,472
Re-marriage allowance (lump sum)	$12,144